

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-15 NSC-10 RSR-01

OMB-01 TRSE-00 /078 W
----- 034515

P R 231750Z AUG 73

FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC PRIORITY 3584

INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
AMEMBASSY PANAMA

C O N F D E N T I A L SECTION 1 OF 2 SAN SALVADOR 3227

E.O. 11652 N/A
TAGS: ETRN; XK; ES
SUBJ: CVAIR: U.S. PERMIT HELD BY AEROLINEAS EL SALVADOR (AES)
REF: A. STATE 160038; B. SAN SALVADOR 3086; C.TAYLOR/COTTER
TELCON AUGUST 20, 1973.

1. SUMMARY. WE HAVE ASCERTAINED THAT INFORMATION PREVIOUSLY REPORTED IN REFTEL B IS INCORRECT. AEROLINEAS EL SALVADOR (AES) IS IN BUSINESS AND WITH A RECENTLY LEASED DC-6 AND IS COMPLETELY SEPARATED FROM THE SALVADORAN AIR FORCE (FAS). ABOUT HALF OF ITS US DEBTS HAVE BEEN SETTLED UNDER DIRECTION OF A CENTRAL RESERVE BANK (BCR) AUDIT TEAM AND AESA'S MANAGEMENT SAYS THE BALANCE WILL BE PAID WITHIN SEVERAL MONTHS. AESA MANAGER, CORNEJO, SAYS THAT ALTHOUGH AESA'S DC-6 LAST CARRIED CARGO TO MIAMI SEPT 24, 1972, THE AIRLINE HAS MAINTAINED CONTINUING SERVICE OVER PAST YEAR EITHER BY CHARTERING TACA PLANES OR CONTRACTING SPACE FROM TACA, ALL UNDER AESA IDENTIFICATION. THE GOES AESA COMMISSION'S SECRETARY AND CORNEJO SAID THEY VISUALIZE A RECONSTITUTED AIRLINE WHICH WOULD BE SHORTLY RELEASED FROM GOES INTERVENTION, WOULD SEEK PERMITS FROM CENTRAL AMERICAN GOVT'S AND WOULD REDUCE CONFIDENTIAL

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THE PRESENT 45 PERCENT LANICA SHARE INTEREST. THE EMBASSY

RECOMMENDS, ON THE BASIS OF INFORMATION DEVELOPED AND KNOWN
THAT THE CAB NOT RPT NOT CANCEL AESA'S PERMIT. END SUMMARY.

2. IN LIGHT OF NEW INFORMATION WHICH CORRECTS EMBASSY'S
PREVIOUS RESPONSE (REF B), AN EMBOFF MET WITH CIVIL
AERONAUTICS (DAC) DIRECTOR COL. ORANTES DHEMING AUGUST 21 AND
ASKED CONCERNING THE STATUS OF AESA. DHEMING SAID HE UNDERSTOOD
HOW CONFUSION COULD HAVE DEVELOPED IN THE US SINCE
THE DC-6 PREVIOUSLY USED BY AESA WAS NOT OWNED BY THE FAS
AND HAD ENTERED MIAMI WITH NEW MARKINGS. HE SAID THE FAS AND
AESA WERE NOW COMPLETELY SEPARATED. A TEMPORARY CERTIFICATE
WAS ISSUED AUGUST 17 TO AESA'S NEWLY LEASED DC-6 (YS-03-C)
WHICH BEARS US IDENTIFICATION N 90894. HE SAID HE HAD NO
INFORMATION WHICH WOULD INDICATE AESA HAD VIOLATED ITS US
PERMIT NOR THAT IT HAD PERMITTED IT TO LAPSE IN USE. HE
SUGGESTED THAT THE EMBOFF DISCUSS THE STATUS OF INDEBTEDNESS
AND CURRENT OPERATIONS WITH AESA'S MANAGER EDUARDO CORNEJO
LOPEZ.

3. EMBOFF VISITED AESA OFFICE AT ILOPANGO AIRPORT, FOUND
A WORKING STAFF, AND CONCLUDED A THOROUGH DISCUSSION OF
AESA WITH MANAGER CORNEJO. CORNEJO DISCUSSED FRANKLY AESA'S
PROBLEMS AND PRODUCED DOCUMENTS TO SUBSTANTIATE HIS STATEMENTS.
THE DISCUSSION COVERED THE AIRLINES' HISTORY, LEGAL
AND FINANCIAL STATUS, OPERATIONS AND FUTURE, AS FOLLOWS:

A. HISTORY: AS A RESULT OF THE 1969 CONFLICT WITH
HONDURAS THE GOES INTERVENED AESA, A SALVADORAN REGISTERED CARGO
AIRLINE OWNED 45 PERCENT BY LANICA (I.E. SOMOZA) AND THE
BALANCE BY VARIOUS SALVADORANS, THE PRINCIPAL SHAREHOLDER
BEING COTTON/SHRIMP BUSINESSMAN JUAN WRIGHT. CONFLICTING
STORIES ARE PRESENTED FOR THE INTERVENTION MOTIVE, ONE BEING
THAT POST-CONFLICT EMERGENCY AIR CARGO SERVICE TO THE PRIVATE
SECTOR RESULTED IN LARGE ACCOUNTS RECEIVABLES WHICH WERE NOT
PAID AND THE GOVT/FAS DECIDED IT WAS EASIER TO INTERVENE
THAN TO EFFECT DEBT PAYMENTS. SR. CORNEJO CONTINUED AS AIR-LINES
MANAGER, DIRECTED BY A GOES PRESIDENTIALLY APPOINTED COMMISSION
WITH REPRESENTATIVES FROM MINISTRIES OF PUBLIC
WORKS, DEFENSE, FINANCE AND ECONOMY. A DOUGLAS DC-6 AB (FAA
NO. N122M, SERIAL NO. 45078) WAS PURCHASED BY AESA OCTOBER 23,
1969 FROM BELLAMY-LAWSON AVIATION, INC. OF FLORIDA WITH \$90,000
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BORROWED FROM THE FAS, AND IT WAS FULLY PAID (DOCUMENTS SEEN BY
EMBOFF) IN MARCH 1971. THE PLANE WAS ALWAYS THEREAFTER MANNED
BY FAS CREWS AND SERVED PRINCIPALLY THE MILITARY COOPERATIVE.
THE DC-6'S LAST FLIGHT TO MIAMI UNDER AESA AUTHORITY AND
OWNERSHIP WAS SEPT 24, 1972. LATER THAT YEAR IT WAS
"TAKEN" BY THE FAS. THIS PLANE WAS THEN REPAINED WITH
FAS MARKINGS AND BECAME IDENTIFIED AS FAS 3;1 AND OPERATED
SOLELY BY THE FAS. IT WAS FLOWN TO MIAMI UNDER ITS NEW

IDENTITY AND WE UNDERSTAND AESA CREDITORS ATTEMPTED A LEGAL
SEIZURE OF THE PLANE TO SATISFY AESA DEBTS. SINCE SEPTEMBER
1972 AESA HAS CONTINUED TO SERVE ITS COMMERCIAL CUSTOMERS
BY CHARTERING TACA VLANES OR SPACE AND IN THAT SENSE MAINTAINED
USE OF ITS CAB AUTHORITY UP TO THE PRESENT. ABOUT MID-AUGUST
1973 IT TOOK DELIVERY OF A LEASE/PURCHASE BASIS OF ANOTHER
DC-6 FROM BELLOMY-LAWSON (VIA HEMISPHERE AIRCRAFT LEASING CO.
OF MIAMI SPRINGS, FLORIDA) AND IT IS TEMPORARILY LICENSED
BY THE DAC WITH IDENTITY YS-03-C. ITS CREW IS US, PROVIDED
BY BELLOMY-LAWSON, AN
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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 OMB-01 TRSE-00

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INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
AMEMBASSY PANAMA

C O N F I D E N T I A L SECTION 2 OF 2 SAN SALVADOR 3227

E.O. 11652 N/A

E. FUTURE: DR. CASTELLANOS SAID THE GOES WANTS TO GET
OUT OF THE AIRLINE BUSINESS, HOPEFULLY BY END-1973. IT WOULD
LIKE TO SEE ESTABLISHED A VIABLE NATIONAL CARGO AIRLINE
WITH ACCESS TO CENTRAL AMERICAN MARKETS AND WITH AT
LEAST 80 PERCENT PRIVATE SALVADORAN OWNERSHIP. THIS
IMPLIES LANICA AGREEMENT TO REDUCE ITS PARTICIPATION TO
SOME 20 PERCENT, AN ACTION CASTELLANOS SAYS THE CAB DESIRES.
HE ALSO SAYS THE US PERMIT COMES UP FOR RENEWAL AROUND
FEBRUARY 1974 AND IT IS HOPED THE AIRLINE WILL BE ON A
GOOD PRIVATE FOOTING BY THE TIME. NO INVOLVEMENT BY ANY
PART OF THE GOES IS PLANNED FOR AESA'S FUTURE.

3. COMMENT: IT APPEARS THAT FINANCIAL AND POLICY PRESSURES
HAVE PUSHED THE GOES FINALLY TO CLEAN UP THIS VERY UNIQUE
AIRLINE. FAS SOURCES EXPRESS PLEASURE OVER THE DIVORCE WITH

AESA. THE FACT THAT THE BCR IS HEAVILY INVOLVED IN SETTLING
ACCOUNTS AND CORRECTING DEFICIENCIES INDICATES SERIOUS GOES
INTENTIONS TO CLEAR UP THE AESA PROBLEM. AESA RECORDS EVIDENCE
CONTINOUS USE OF THE CAB AUTHORITY AND THE STATEMENTS BY
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CORNEJO AND CASTELLANOS (ALTHOUGH OF COURSE UNCONFIRMED BY US
WITH THE CREDITORS) INDICATE AESA IS PAYING ITS US DEBTS.

THE PLAN TO RESTORE THE AIRLINE TO PRIVATE OPERATION AND THE
BCR APPROVAL OF THE RECENT DC-6 LEASE INDICATE THAT THERE
WILL CONTINUE TO BE AN AESA. ALTHOUGH WE MAY LACK PERTINENT
INFORMATION AVAILABLE TO THE CAB, BASED ON THE FOREGOING
WE RECOMMEND THAT NO ADVERSE ACTION BE TAKEN AGAINST AESA'S
CAB PERMIT AT THIS TIME.

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